S. HRG. 98-140

NOMINATION OF PETER O. MURPHY

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF

PETER O. MURPHY TO BE DEPUTY U.S. TRADE REPRESENTATIVE

MAY 24, 1983

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NOMINATION OF PETER O. MURPHY TO BE DEPUTY U.S. TRADE REPRESENTATIVE

TUESDAY, MAY 24, 1983

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The full committee met, pursuant to notice, at 10:26 a.m., in room SD-215, Dirksen Senate Office Building, the Honorable Robert Dole (chairman) presiding.

Present: Senators Dole (presiding), Packwood, Danforth, Chafee, Heinz, Durenberger, Symms, Grassley, Long, Bentsen, Moynihan, Baucus, Boren, Bradley, Mitchell, and Pryor.

[The press release announcing the hearing and the opening statement of Senator Dole follows:]

[Press release]

FINANCE COMMITTEE SCHEDULES ACTION ON NOMINATION OF PETER O. MURPHY TO BE DEPUTY U.S. TRADE REPRESENTATIVE

Senator Robert J. Dole (Kansas), Chairman of the Committee on Finance, today announced that the Committee will hold a hearing on Tuesday, May 24, 1983, on the nomination of Peter O. Murphy to be Deputy U.S. Trade Representative. Following the hearing, the Committee will meet in executive session to consider Mr. Murphy's nomination.

The hearing will begin at 10:00 a.m. in Room SD-215 (formerly 2221) of the Dirksen Senate Office Building.

Further information.—The Office of the U.S. Trade Representative has three deputy representatives, all appointed by the President with the advice and consent of the Senate. One deputy serves as the chief of the U.S. mission to the General Agreement on Tariffs and Trade in Geneva. Mr. Murphy has been nominated for this position.

Ambassador Murphy currently is the U.S. Chief Textile Negotiator, a position he has held since 1981. He earlier served as Deputy Chief Textile Negotiator from 1977 to 1981. From 1975 until 1977 he worked on nontariff measures in connection with the Tokyo Round of multilateral trade negotiations.

Ambassador Murphy possesses a B.A. degree from Washington and Jefferson College, and a M.S.F.S. from the Georgetown School of Foreign Service. He also attended the Vienna Diplomatic Academy.

OPENING STATEMENT OF SENATOR DOLE

I am pleased to welcome Ambassador Peter O. Murphy, whom the President has nominated to be Deputy United States Trade Representative and head of our trade mission to the GATT in Geneva.

Mr. Murphy is an outstanding nominee. For the past 2 years he has been the chief textile negotiator for the United States, one of the mast difficult negotiating jobs to be had. He has performed with distinction. Under his direction, the United States completed negotiations on renewal of the multi-fiber arrangement

in 1981, and on the subsequent bilateral agreements with our major textiles trade partners, including Hong Kong, Taiwan, and Korea. Only the People's Republic of China remains; I understand Ambassador Murphy is slowly convincing the Chinese of his advocacy skills! Throughout his tenure, Ambassador Murphy apparently has managed to promote U.S. textiles policy to the satisfaction of our domestic firms and workers, and our trading partners. That is a major achievement that I hope will be carried forward in Geneva.

Chairman DOLE. I understand that the Democrats might be caucusing. Maybe we can go ahead and have Mr. Murphy come up and start the hearing. We do want to complete our entire agenda today.

Mr. Murphy, we are pleased to have you before the committee.

STATEMENT OF PETER O. MURPHY, NOMINATED TO BE DEPUTY U.S. TRADE REPRESENTATIVE

Mr. MURPHY. I would just ask that my statement be made a part of the record.

[The biographical sketch of Peter O. Murphy and answers to Senator Dole's questions follow:]

BIOGRAPHICAL SKETCH OF PETER O. MURPHY

Current position: Chief textile negotiator. Negotiate bilateral and multilateral textile agreements; determine USG textile trade policy.

Previous experience: 1977–81—Deputy to Chief Textile Negotiator—Participate in bilateral/multilateral textile negotiations and technical discussions; 1975–77—Office of Special Trade Representative—worked on non-tariff measure issues in MTN for Chairman of Trade Policy Staff Committee. Involved in MTN tariff negotiations and development of textile White Paper; 1971–72—Chemical Bank of New York, worked as Credit Analyst for national corporate accounts.

Education: Vienna Diplomatic Academy, Summer 1974; MSFS (1974), Georgetown School of Foreign Service; BA (1971) Washington and Jefferson College.

Personal: Born March 23, 1948; interests: sports, reading.

ANSWERS OF PETER MURPHY TO QUESTIONS SUBMITTED BY SENATOR DOLE

COMMENT ON GATT DISPUTE SETTLEMENT PROCEDURES

Question 1. Why do they seem generally to provide inconclusive results?

Answer. While the GATT dispute settlement process certainly needs improvement, it is not entirely correct to characterize the results of that process as generally inconclusive. It is correct that the recent Subsidies Code panel considering the wheat flour dispute was unable to draw clear conclusions, but the panel considering the pasta dispute was quite clear in finding the EC practices inconsistent with the Code. Likewise, in recent non-Code disputes panels have issued clear conclusions: a panel report adopted in October, 1982 found no U.S. violation of GATT in the dispute involving vitamin B–12; and a panel report issued in June, 1982 found no U.S. violation of GATT in the dispute regarding a Section 337 exclusion order for spring assemblies. We are seeking adoption of the spring assemblies report by the GATT Council and will continue to strive for strict adherence to the dispute settlement provisions of the GATT and the Codes.

The GATT dispute settlement mechanism is far from perfect—particularly from a procedural standpoint—but we will continue to make every effort to ensure that the system can be made to work in resolving most GATT disputes. For example, in a recent dispute between Canada and the European Community regarding the EC's implementation of a levy-free tariff quota for high quality beef, a GATT panel unanimously concluded that the EC practice was inconsistent with the GATT and recommended that the EC take steps necessary to conform to the GATT. The GATT Council adopted the report and the EC agreed to examine its consequences.

Question 2. Can we rely on them to resolve important GATT issues, such as to what extent the subsidies code applies to European agricultural export subsidies

that depress world prices and cause unfair competition with U.S. exporters to third markets?

Answer. Article 10:3 of the Code specifically provides that a signatory shall not subsidize exports to a particular market in a manner which results in prices materially below another supplier's prices to the same market. This provision was not included in Article VI of the GATT prior to the negotiation of the Subsidies Code, and it applies to specific incidents of "price-undercutting." While price depression is not specifically addressed by the Code, the U.S. has taken the position that the concept of serious prejudice in Article 8 includes price depression and the EC has referred to price depression as well in its complaint regarding the recent U.S. sale of wheat flour to Egypt. Therefore, the applicability of the Code to price depression is still an unsettled question, but is recognized by both the U.S. and EC as a practice which should be addressed by the Code Committtee.

Question 3. At the GATT ministerial meeting last November, the United States sought agreement that one country alone would not block the adoption of a GATT panel decision on a dispute. In testimony before this committee in January, Ambassador Brock acknowledged that clear agreement on this score was not achieved, but progress has been made and experience would show whether a single nation can still bottle up the disputes settlement mechanism. In your view, was anything achieved in this regard at the ministerial?

Answer. In the Ministerial Declaration of last November, the GATT dispute settlement process was one of the most notable areas given attention. The section on dispute settlement in the Declaration provides that: "Reports of panels should be given prompt consideration by the CONTRACTING PARTIES;" and "The CONTRACTING PARTIEES affirmed that consensus will continue to be the traditional method of resolving disputes; however, they agreed that obstruction in the process of dispute settlement shall be avoided."

At a recent meeting of the Subsidies Code Committee, it was generally acknowledged that GATT panel reports should be promptly adopted, adopted with qualifications, noted, or acted upon in some way by the full Committee and that established GATT practice for treatment of such reports should be followed. Our experience with the pasta panel report, to be examined by the Committee on June 9, 1983, should give us a better idea of how this process will work in the Subsidies Committee.

Question 4. How can the procedures be improved?

Answer. The U.S. continues to believe that a strong and respected dispute settlement mechanism is essential to the conduct of world trade. Thus, we believe that the procedural requirements of dispute settlement must be strictly followed. That is, consultations must be held when requested, time limits must be met, panels and terms of reference should be established promptly, etc.

We have begun to explore ways to improve the dispute settlement process. Specifically, we are seeking ways to ensure that the consultation and conciliation phases of dispute settlement are meaningful exchanges and not simply dress rehearsals for a presentation to a panel. Moreover, in light of the increasing use of the panel process and the complex nature of some of the cases, we should consider whether the Secretariat should furnish sufficient technical and legal support to the panels in order to ensure the high calibre of panel reports.

Question 5. There has been press comment on purported discussions within the administration on alternatives to the GATT. Would you comment on the basis of such thinking and the possible GATT alternatives?

Answer. There has been discussion within some agencies of the U.S. government concerning the GATT's ability to address effectively the present and emerging problems of the trading system. The concerns grew out of frustrations over the results of the GATT Ministerial and current tensions of the international trading system. At a recent meeting of ministers from the U.S., Japan, Canada, and the EC, all the ministers expressed the view that the GATT was not functioning well and needed to be strengthened, but also that there was no viable alternative to the GATT.

Chairman DOLE. Mr. Murphy is an outstanding nominee. For the past 2 years he has been the chief textile negotiator of the United States, one of the most difficult negotiating jobs to be had. He has performed with distinction. Under his direction, the United States completed negotiations on renewal of the multifiber arrangement in

1981 and on the subsequent bilateral agreements with our principal textile trading partners, including Hong Kong, Taiwan, and Korea. Only the People's Republic of China remains, and I understand Ambassador Murphy is slowly convincing the Chinese of his advocacy skills.

For the record, we have reviewed the financial disclosure forms of Mr. Murphy and the material he has filed with the Government of ethics. I am satisfied there are no problems with this area.

I have further received a letter from the Director of Government Ethics approving the applicant's compliance with the Ethics of Government Act. It will be made a part of the record.

[Letter from the Office of Government Ethics follows:]

U.S. OFFICE OF GOVERNMENT ETHICS,
OFFICE OF PERSONNEL MANAGEMENT,
Washington, D.C., May 17, 1983.

Hon. ROBERT DOLE,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Peter O. Murphy, who has been nominated by President Reagan for the position of Deputy United States Trade Representative in the Office of the United States Trade Representative.

We have reviewed the report and have also obtained advice from the Office of the United States Trade Representative concerning any possible conflict in light of the Office's functions and the nominee's proposed duties. Based thereon, we believe that Mr. Murphy is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

DAVID R. SCOTT, *Acting Director.*

Ambassador Murphy, do you have a statement you wish to make at this time?

Mr. MURPHY. No, sir, I do not.

Chairman DOLE. Are there any other questions of members of the committee concerning the nomination of Ambassador Peter O. Murphy, whom the President has nominated to be Deputy Trade Representative and head of our trade mission to the GATT in Geneva.

Senator Long, do you have any questions?

Senator LONG. No.

Senator DANFORTH. Mr. Chairman, I would simply say that Ambassador Murphy has been our textile negotiator. He has been with USTR for the better part of a decade now. He is an experienced negotiator and very highly respected; and I think that he is eminently qualified for this position.

Chairman DOLE. Senator Mitchell had a question.

Senator HEINZ. Mr. Chairman, I do have a question.

Ambassador Murphy, as the U.S. Representative to the GATT you are going to be dealing with some of the textile issues related to the MFA. You are not unfamiliar with the MFA.

What is your view of the President's commitment to relate import growth to U.S. market growth as contrasted with MFA principles to permit new suppliers to enter our market and to provide all exporters with increased access to our markets?

Mr. MURPHY. Well, this overriding concern that we have is to meet the President's commitment. That is a commitment that we are mak-

ing every effort to carry out, and we feel we can do that at the same time consistent with our international obligations. The renewal of the BFA gave us the domestic authority to carry out the President's commitment.

Senator HEINZ. Are you in a position to report on the status of our textile negotiations with China, the People's Republic?

Mr. MURPHY. At this time we have had six rounds of negotiations and as yet have been unable to reach an agreement. One of the reasons we have been unable to reach an agreement is because of the President's commitment, which we feel is a good commitment which we have every intention of meeting.

As a result, when the previous agreement lapsed the administration did not hesitate to impose the necessary safeguard measures in order to safeguard our market while the negotiations continue. We have recently completed the sixth round of negotiations, and at this point I would say negotiations are likely to resume, but no specific date has been established.

Senator HEINZ. Do you think they are likely to lead anywhere?

Mr. MURPHY. We are hopeful that we can put this issue behind us. At the last round of negotiations there was tentative agreement on some issues, but some difficult issues remain. At this point we are trying to see if there is a basis for continuing negotiation. And I believe if there is a basis for continuing negotiation, we will conclude an agreement at the next round.

Senator HEINZ. As we are both aware and as we have both discussed with Ambassador Brock, the subject of surges or cases where there are sharp increases in quantities of specific items coming in that are not covered by a bilateral, is one where I have, as you know, expressed some past concerns about the delays in entering into negotiations to deal with them. I am still concerned about that.

What can you do to assure us and others who are concerned that our reaction time can and will be improved?

Mr. MURPHY. Well, I do think it takes constant vigilance and action on behalf of the administration, but I can assure you that Ambassador Brock and every department in the Government does take the President's commitment seriously, and we will make every effort to meet that commitment.

I know there are some concerns with regard to the increase in imports in the first few months this year. Some of that is explainable, and where it is not explainable, we have taken action. And I think by the end of the year you will see the record very clearly that the level of imports in the first 3 months this year will go down rather dramatically.

Senator HEINZ. Mr. Ambassador, thank you very much. I know you are a very hardworking and able individual, and I anticipate that you have just gotten the toughest questions that you are going to get except maybe from Senator Mitchell.

Chairman DOLE. Senator Mitchell. I think Senator Long did have a question.

Senator MITCHELL. Go ahead.

Senator LONG. I would just as soon defer to you. Go ahead and ask your questions.

Senator MITCHELL. Following up on Senator Heinz' questions, you said some of it, referring to the surge of imports in the first few months

this year, is explainable. Can you briefly explain what is explainable about it?

Mr. MURPHY. Yes. In certain areas about 75 percent of the growth in imports is a case either where the imports are from developed countries where they are not low-cost countries and there is less concern within the U.S. industry or in the other area, which is the great majority of the increases, in areas where we have agreed annual quotas, and those annual quotas open on January 1 and close on December 31. And so the quotas do not have a real impact until the level of trade bumps up against the ceilings, and that is likely to happen later in the year.

But I can assure you that the negotiations that we conducted last year will have a positive impact on the textile and apparel industry.

Senator MITCHELL. As you know, the multifiber arrangement will be up for renewal in a couple of years. Would you tell me what your opinion is as to whether it should be tightened in the face of increasing imports, whether it should be liberalized, should be changed in any way?

Mr. MURPHY. Well, at this point we do not have a U.S. Government policy on that. I think we are going to have to look at it very carefully in determining our position.

Senator MITCHELL. I know there is no Government policy, but what are your views?

Mr. MURPHY. Well, I think that the MFA as written now with the broad latitude in interpretation that we came out with the extension of the protocol when the MFA was last renewed should give us the ability to do what we want in order to meet the President's commitment. So I believe the international agreement is sufficient.

Senator MITCHELL. When you referred to meeting the President's commitment, I assume you are referring to the policy of relating import growth to domestic market growth, is that correct?

Mr. MURPHY. That is correct.

Senator MITCHELL. Would you define with as much precision as you can what exactly that means in your mind?

Mr. MURPHY. Well, I think you have to look at it with regard to the backdrop of previous years' experience. In 1981, before we had had the MFA renewal negotiations, we had a surge in imports of around 18 percent. Last year as a result at least in part of the bilateral agreements that we negotiated, the growth of imports was reduced to 2.8 percent.

Senator MITCHELL. Was reduced to 2.8 or by 2.8?

Mr. MURPHY. To 2.8 percent. Total imports of textiles and apparel last year in terms of quantity grew 2.8 percent. This year imports are up in the first 3 months, but I think they will come down. But I do not think that the administration has a specific quantitative number in mind. But it is certain that the 18 percent, and anything approaching that is completely unacceptable in the point of view of the U.S. Government.

Senator MITCHELL. Of course, you answer by citing the statistics regarding import, which says nothing about the domestic market. Can you tell me what the comparable figures were there and how the two are related, because as I understand it, the policy establishes a relationship?

Mr. MURPHY. Well, in general terms, if you take a 10-year average, the average growth in the domestic market is in the vicinity of 1½ to 2½ percent a year. If you look at the growth in the market, the growth in domestic production is slightly less than that.

Senator MITCHELL. So that an increase in imports above the amount of domestic growth would not seem to be a meeting of that commitment, or am I misunderstanding? That is what I was trying to get some precision on. What does it mean when you say you relate import growth to domestic growth?

Mr. MURPHY. Well, it certainly means a commitment to slow the growth in imports. It is difficult to exactly relate the two or tie the two from the standpoint that what happens in the domestic market in terms of production is sometimes difficult to determine. There is a lag in terms of when that data is available.

But we certainly—I would say we have met the commitment in 1982 with a 2.8 percent increase in imports.

Senator MITCHELL. Well, I am not being critical. I think you have been doing a good job. But it just seems to me that you answers reveal no relationship between import growth and domestic market growth. What you are saying is that we are trying to slow the growth of imports. That has no relationship whatsoever to the domestic market.

Mr. MURPHY. Well, if we slow the growth in imports, it will have a serious impact on what happens in the domestic market. One of the concerns is that with imports growing, it takes away from the growth potential in the domestic production. So if you slow the growth of imports, I think you can expect that the domestic industry will do better.

But what I would think in terms of a range and as a target, we are trying to the extent feasible to bring that in line with the historical average of growth in the domestic market.

Senator MITCHELL. That is precisely what I was looking for. In other words, do I understand that what you are saying now is that you regard the commitment to limit import growth to domestic market growth as a target of holding the growth in imports to a level no greater than the growth in the domestic market over a comparable period of time?

Mr. MURPHY. That is our historical target, yes.

Senator MITCHELL. That is your historical target, and although you have made some strides in that direction, as you acknowledge, you have not yet reached that goal.

Mr. MURPHY. There is still a lot to be done. I think we have made significant strides in the last year in the conduct of our bilateral agreements. It is not necessarily an easy task.

Senator MITCHELL. I understand that, and believe me, I am not being critical. I think you have done a good job. But I am just trying to make the point that if your goal is to establish a level of import growth that is no greater than the level of growth in the domestic market, and you acknowledge you have not yet reached that goal, then that forms a predicate for concluding, does it not, that you need even more vigorous efforts in future negotiations with respect to the multifiber arrangement and the bilateral agreement?

Mr. MURPHY. Well, there is no question that one of the keys in terms of meeting the commitment has to do with the implementation of it and when we take action with regard to new starters and consultation

mechanisms under our present agreements. And I think that is where we have to place the emphasis until the end of the MFA.

Senator MITCHELL. My time is up, and I want to make sure there is no misunderstanding. Your statement is that the administration's policy commitment relating import growth to domestic market growth means having as a target holding the growth of imports to a level no greater than the growth of domestic market—first point—is that correct?

Mr. MURPHY. That is our target, correct.

Senator MITCHELL. Second, as you indicated with the figure you provided here, that target has not yet been reached, although significant progress has been made toward it, due significantly to your efforts I might say. Is that correct?

Mr. MURPHY. I would say that in 1982 the 2.8, although I would not say it met the President's commitment from the standpoint that the domestic production decreased in 1982, we do feel it is a long way toward that goal.

Senator MITCHELL. A long way toward it, but you have not reached it yet.

Mr. MURPHY. That is correct.

Senator MITCHELL. Thank you, Mr. Chairman.

Chairman DOLE. Senator Long.

Senator LONG. Mr. Murphy, I do not have any reason to question your credentials or your qualifications to hold the job for which you are nominated. Unless you should inadvertently talk me out of it, I am going to vote for your confirmation, so you do not need to feel that you are particularly vulnerable with regard to what I am going to ask you.

I am worried about the long-term best interests of the United States, and I do not think that all of us, including you and all of us here in the executive and legislative branches, I just do not think as a team we are getting the job done that we ought to be doing for America. That is what I want to explore with you for just a moment or two.

It was my privilege to recommend Bob Strauss to be special trade negotiator. The President sent his name down, and I was pleased to urge his confirmation. I think it is part of what we Democrats have been able to do while I have been around here, and that was one of the high points. We did manage to get something agreed to, and we passed a bill that at least tends to liberalize trade in some respects. At that particular time we thought we had achieved something.

But insofar as we had success in that area, I think most of it had to do with the fact that Bob Strauss as a human being is just a good maneuverer and negotiator. He has some natural talents—I guess he is a natural born horse trader—and so it worked out very well. And also he understands that you have got to do something for somebody in order to get them to do something for you, both here and when dealing with other countries.

But looking at the whole scenario, I think he would be the first to agree that he did not have the best education for that job. If you think in terms of what kind of education do we need to have the best people we can have to do a job, he did not have it, and I do not know of anybody that we have sent over there that does.

In other words, we need to have qualified people and enough of them to the point where we have some options, where we do not have to be

locked into one person. We need people qualified in this country that we can go tap to do a job who have the best education that can be achieved.

Can you just tell me off the top of your head what is the volume of our trade in and out right now, the last figures you saw, in terms of our overall imports and exports? What is that volume of trade of the United States?

Mr. MURPHY. Exports are about $212 billion in 1982 and imports are about $244 billion, as far as I know. We had roughly a $32 billion deficit.

Senator LONG. And we are predicting a deficit about $70 billion this year, are we not?

Mr. MURPHY. I think that is at least what some people are forecasting.

Senator LONG. That is the point I am getting to. The enormity of what is involved here makes us the biggest trading partner in the world, does it not?

Mr. MURPHY. Oh, yes.

Senator LONG. Looking at that, would it not seem fair that the United States ought to have, if we can do it and if we can achieve this, we ought to have the most knowledgeable, best educated, competent, sophisticated negotiators in the world to do this job?

Mr. MURPHY. I would like to answer that question, and I would like to say also that I worked at USTR when Bob Strauss was there.

Senator LONG. I know you did.

Mr. MURPHY. And I think the key to success is largely based upon exposure.

Senator LONG. What?

Mr. MURPHY. Exposure to actual negotiations. I was in a junior position at that time, but Ambassador Strauss was nice enough to include me in a number of meetings, so that broadened my particular experience in order to perform adequately in any particular job. And I think that means time. I do think that you need a political leader such as Ambassador Strauss or Ambassador Brock to give the overall political leadership, but you do need trained, if you will, technocrats in order to implement what the objectives of any administration are.

Senator LONG. I agree with you that exposure is a very important qualification. It is very important, and I should think there is no adequate substitute for it. But would not the same thing be true of knowledge? It you do not have experience—hopefully you have people around who do have it—but is not knowledge a very important item also?

Mr. MURPHY. I think knowledge is, and knowledge can only be based upon experience in this area. As Ambassador Strauss always used to say, it is easy to tell somebody to go to hell, but it is much tougher to get them there. [Laughter.]

Senator LONG. I understand that, but here is the point I am getting to. Sometime ago I asked Olivier Long, who at that time was the Secretary General of GATT, if we had some young persons that we wanted to get the best education that could be had in the trade area, where should we send them to get the best education so that when they go into the field they are as well educated as we hope to make them.

He gave me his suggestion of where they ought to go and what courses they ought to take. I would like to ask you the same question.

What are your thoughts? Where would you send them if you are trying to educate a group of young people? Suppose we had it in our power to pick a group of young persons and wanted to qualify some of them to wind up in private industry, some to wind up in government, and some of them we would borrow from time to time from industry to help us in government. What would your thoughts be? Where would you like to see them go and what type of education would you like for them to get there?

Mr. MURPHY. I think the key is to keep the good people in government in one form or another. I am not fully convinced that it is just a question of specialized education from the standpoint that when you are talking about negotiations, it is not an academic debate. A lot of it has to do with intensity, street smarts, timing, and knowing how to negotiate. And I think one of the best ways to learn that is actually to have participated over a period of time in actual negotiations. I think you quickly run out.

I think you should have a fundamental background and appreciation for international affairs and trade and economics, but I think that only gets you so far. That only gets you in the door. I think what the key is and what separates the good people from the bad people is how they perform over a period of time. And I think one of the real problems we have in our system is the incentive for good people to stay in government quickly disappears because if they are good, they get more attractive offers in the private sector.

Senator LONG. Mr. Murphy, I was not asking you to defend your qualifications for this job or your qualification to do what you have done in government, but it sounds like that is what you are doing, so I am not going to pursue it any further. It seems as though I would just be wasting my time.

Thank you, Mr. Chairman.

Chairman DOLE. Are there any more questions? If we are going to have many more questions I am going to defer this nomination because we have a number of other things on the agenda.

Senator BAUCUS. Mr. Chairman.

Chairman DOLE. How much time do you need?

Senator BAUCUS. Five minutes.

Chairman DOLE. Will there be other questions?

Senator PRYOR. Mr. Chairman, may I ask a couple?

Chairman DOLE. I think we will set this nomination aside, and we will come back to it when we have finished the balance of the agenda.

Senator LONG. I move we vote on it.

Senator PRYOR. I will defer with no vote.

Chairman DOLE. Well, there are some other things we have to do. We have the extension of the debt ceiling, for example. This nomination is not in that category.

Senator BAUCUS. Mr. Chairman, I will only take 5 minutes.

Chairman DOLE. All right. Go ahead.

Senator BAUCUS. Mr. Murphy, my first question is how, given your judgment, your philosophy, and your approach to our trade with other countries, you believe we should force the EEC and other coun-

tries to lower their trade barriers, including tariff barriers, nontariff trade barriers.

We know they are not going to do it out of the goodness of their heart. Nobody does. How are we going to get them to reduce their barriers? And I also am speaking of EEC export subsidies of processed as well as raw agricultural products.

Mr. MURPHY. I agree with you they are not going to do it out of the goodness of their heart. The answer is to keep as much pressure as you can on them.

Senator BAUCUS. How do we do that? What pressure do you suggest we exercise, in what form?

We should pursue the multilateral GATT issues where appropriate. I think GATT can be useful on that. We are now pursuing bilateral negotiations with the EC, and where necessary, as in the case of Egypt, we took surgical action to knock out the EC market in Egypt.

Senator BAUCUS. Well, that is just talk. How do you get them to do something? You cannot just talk to them.

Mr. MURPHY. I think in the case of Egypt we did take away their market.

Senator BAUCUS. Excuse me?

Mr. MURPHY. In the case of Egypt on wheat flour, we did take away their market, and I think now hopefully they are talking on a more realistic basis. If not, we will have to continue that approach.

Senator BAUCUS. So you suggest, and I may agree with you, but you suggest more actions like the sales of wheat flour to Egypt.

Mr. MURPHY. If that is what it takes in order to get them to talk seriously, yes, I support that.

Senator BAUCUS. To what degree will you encourage the USTR office to pursue the pasta decision regarding processed products subsidized in violation of the subsidies code?

Mr. MURPHY. We just got a favorable decision on pasta.

Senator BAUCUS. That is correct. My question is, to what degree do you intend to attempt to extend that decision to other areas?

Mr. MURPHY. What we want to do in the pasta case is get it adopted as soon as possible.

Senator BAUCUS. Can you give me an example now of the kinds of—I call them surgical actions—we can take, like the wheat flour agreement, to encourage the Europeans to reduce their export subsidies, particularly on processed products?

Mr. MURPHY. I do not have an answer for you on that. I am not an agricultural expert.

Senator BAUCUS. Can I ask you what your responsibilities will be on the USTR?

Mr. MURPHY. My responsibility in the USTR office in Geneva will be to pursue the multilateral aspects in terms of the GATT, and also to assist the USTR and the U.S. Government.

Senator BAUCUS. And you do not know much about agriculture?

Mr. MURPHY. In the last few years, I have been a textile negotiator. I do not think that certainly——

Senator BAUCUS. You are the head negotiator. Do you not think you should know something about agriculture? Are you learning about agriculture?

Mr. MURPHY. I am certainly learning, and I can also say that this committee has just recently appointed Ambassador Lighthizer to be the Washington deputy, and he is charged with agricultural issues, and I have great confidence in his abilities, and will consult with him whenever I can.

The CHAIRMAN. He is learning. Max Lighthizer will be showing him pictures of farms and all sorts of things.

Senator BAUCUS. That is what I'm worried about—pictures of farms. I encourage you to learn more about agriculture. As you probably know, our wheat exports have fallen dramatically in the last couple of years, and I suggest that the main reason is because other countries are subsidizing their agricultural production, particularly of wheat, for domestic use and for exports. I think such practices violate GATT.

Mr. MURPHY. I will try to learn everything I can in agriculture as quickly as possible. I recognize its importance.

Senator BAUCUS. Thank you.

The CHAIRMAN. Senator Pryor.

Senator PRYOR. I will defer any questions. I will just wait.

The CHAIRMAN. I will just add that agricultural issues are important. If you look over the membership of this committee, it is easy to understand that agriculture is important in every one of our States, and some farmers complain that at USTR there has not been enough focus on these issues.

I have some questions I would like to submit for the record. Hopefully, they will be answered before there is any action taken on the floor on the nomination.

Are there other questions of the nominee?

If not, is there objection——

Senator MOYNIHAN. Mr. Chairman, I would like to submit some questions in writing for the distinguished nominee.

The CHAIRMAN. Is there any objection to reporting the nomination?

[No response.]

The CHAIRMAN. Without objection, that will be done.

Now let us move on to the agenda here.

[Whereupon, at 10:55 a.m., the committee went into executive session.]

[By direction of the chairman the following communication was made a part of the hearing record:]

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May 23, 1983

BY HAND

Honorable Robert J. Dole
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Re: Finance Committee Hearing on May 24, 1983;
Nomination of Peter O. Murphy to be
Deputy U.S. Trade Representative

Dear Mr. Chairman:

We are writing pursuant to your Committee's invitation (set forth in P.R. 83-142 of May 20, 1983) and as practitioners in the field of international trade law, to support the President's nomination of Ambassador Peter O. Murphy to the post of Deputy U.S. Trade Representative and Chief of the United States Mission to the General Agreement on Tariffs and Trade in Geneva.

The Geneva post is an important one and should be filled with a person competent in the field of international trade negotiations. Ambassador Murphy brings with him not only extensive experience in difficult international negotiations as our country's Textile Negotiator under two Administrations, but also a reputation for excellence held within industry, among members of the Bar, and internationally among his diplomatic colleagues.

Even more importantly, Ambassador Murphy's hands-on experience also includes several years of trade negotiations during

the Tokyo Round. The skills acquired in this context are critical to international trade work in Geneva where the U.S. Mission to GATT faces foreign representatives with many years of background in trade negotiations.

We believe that the nomination of Ambassador Murphy reflects an excellent choice, and respectfully urge the Committee on Finance to give it favorable consideration.

With best wishes,

Sincerely,

BARNES, RICHARDSON & COLBURN

By: Conrad
Gunter von Conrad

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